



# Lloyds Bank Limited

## MONTHLY REVIEW

APRIL 1934



# Lloyds Bank Limited

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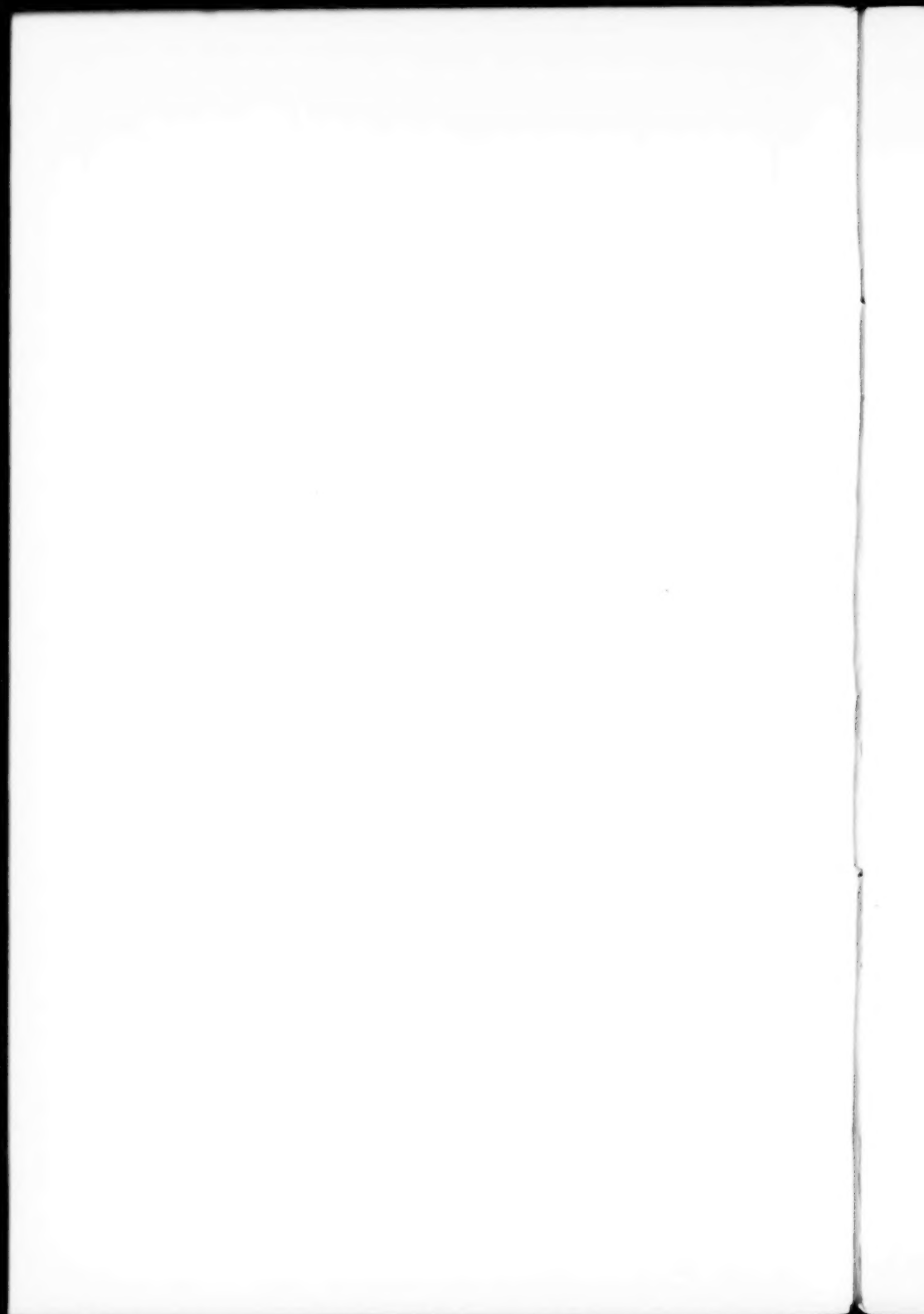
S. PARKES

S. P. CHERRINGTON

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# Lloyds Bank Limited

## Monthly Review

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*\* \*The Bank publishes from time to time in this Monthly Review signed articles by exponents of different theories on questions of public interest. The Bank is not necessarily in agreement with the views expressed in these articles.*

### The Basic American Problems

*By Robert B. Warren (of New York)*

. . . The State having undertaken to direct economic affairs, the large body of producers not only believes that the State *can* give them satisfaction, but that it *must* do so. . . .

—FRÉDÉRIC JENNY, in LLOYDS BANK MONTHLY REVIEW for December.

**W**HEN the new Administration and the new Congress took office in March of last year, the large body of American producers—farmers, industrialists and workers—were in need. They believed that Washington could, would and must give them satisfaction. Inarticulately, they required of the State a programme containing three elements :—

1. *Relief* of actual distress.
2. *Recovery* from the depression.
3. *Reform* of the economic system in some way that would prevent the future recurrence of the economic calamity which had marked the last four years.

These words meant different things to different people. Relief for the farmer was not an economic synonym for relief for the unemployed mill-hand. Recovery for industry was not identical with recovery for agriculture. Economic reform was a concept vaguely varying from socialistic concepts of complete state planning and control to the mere suspension of the anti-trust laws. These demands were largely unformulated, for they had not been stated in the platitudinous platforms of either party, and the methods for meeting them were not debated in the presidential campaign. Indeed, the campaign

speeches of 1932 can scarcely be differentiated in tone from those of the abounding prosperity of 1928.

On the morning that the new Government took office the last remaining banks failed to open, bringing all business to a standstill, and creating an emergency that was not and could not have been foreseen even a month before. On March 4th, Mr. Roosevelt might have exclaimed, like Cæsar attacked by the Nervii, that everything had to be done at once, and by himself.

The banking crisis, being a panic phenomenon, passed quickly, and the full impact of the demand for economic salvation fell upon an Administration and a Congress representing a party which, except for the war period, had not been in power for more than a generation—a party trained in the tactics of opposition, but not in the discipline of responsibility. This party not only lacked formal dogmas, but was itself a sort of coalition of oppositions. Its nuclei were the agrarians of the Solid South joined with the farmers of the Mississippi Valley; the industrial workers, largely unemployed and all haunted by unemployment; and a fringe from what might be called the liberal bourgeoisie. Basically, it was a farmer-labour coalition with an academic general staff, operating in the complete absence of an organised or even a pro-forma opposition.

Practically speaking, an assortment of unformulated and conflicting economic demands had to be translated into a political programme—which is something quite different from an economic programme. In the formulation of this political programme Washington was subjected to intense pressure from two clearly defined groups whose condition was not merely needy, but absolutely desperate—the farmers, numbering about 7 million families, and the urban unemployed vaguely estimated at above 10 millions. In the aggregate these represented with their families a third of the population, and, in terms of practical politics, a working majority of the electorate. It was the coalition of these two social interests, rather than party organisation, that had determined the election of 1932; and the most elementary political forethought could see that, regardless of an economic programme of *recovery* and *reform*, the Administration must give *relief* to the farmer and to the unemployed, or expect a reverse in the Congressional election of 1934. A retrospect of the past year will show that

every major policy of Washington has been dictated primarily by the political exigencies of one or the other of these two groups.

Last spring's programme of legislation was formulated, passed by Congress almost unanimously and almost without debate, and set in motion, all in the brief space of 100 days. Inevitably, a programme admittedly radical and experimental, hastily devised and hastily adopted, would be full of internal conflicts. Much of it is quite inconsistent with Mr. Roosevelt's earlier formal declarations. Properly speaking, there was no "programme"; the essential principle of the spring legislation was the delegation of broad—almost dictatorial—powers to the executive, authorising experiment with a choice of economic devices until a programme could be found. Nothing could be farther from reality than the common European conception of a group of economic experts—the Brain Trust—preparing for the Chief Executive a complete, carefully integrated programme of relief, recovery and reform, which in turn was presented by him to the Legislature for ratification. Things are not done that way in Washington, or in any other capital. Yet the fact remains that a programme was adopted including relief and reform and intended to promote recovery, and that this programme was heartily endorsed by the American people. Whereupon Congress dispersed, leaving Mr. Roosevelt to wrestle with its interpretation and its execution.

In the spring, the Administration appears to have been dominated by the belief that the principal cause of the depression lay in the decline of the price-level; that if the price index, say, of 1926, could be restored, all would be well; and that the price index could be raised to that of 1926 by a combination of currency depreciation up to a limit of 50 per cent.\* and open-market operations by the Reserve Banks. But as this might double the prices of primary commodities, it must be accompanied by the forced absorption of the unemployed by industry. This was to be provided by the operation of the National Industrial Recovery Act.

The price-raising effort was at first remarkably successful. By the middle of July the dollar had depreciated to about \$4.80 to the pound sterling, and Moody's index of primary commodities had risen from a depression low point of 80 in February to about 150—or by almost 100 per cent. The official

\* The powerful Committee for the Nation argued that a gold price of \$36.17 would exactly restore the Bureau of Labour Statistics index to the 1926 level.

Bureau of Labour index had risen from 59 in March to 70 in July. At the same time, press dispatches from Washington were predicting that 6,000,000 unemployed would be re-employed by September and 6,000,000 more by late autumn. The rise in prices proved to be largely speculative, and in July a crash in the commodity and security markets pricked the bubble. The dollar ceased to depreciate, domestic primary commodities fell violently, and the N.R.A., while it had proved successful in increasing the costs of manufactured products, was more than disappointing as an agency for reducing unemployment.

The resentment of the agrarian population, once again caught in the pincers of falling farm prices and rising retail costs, brought pressure on Washington with two results—the gold programme announced by Mr. Roosevelt on October 22nd, and a system of direct intervention and valorisation schemes in the markets for agricultural commodities. The gold programme, after a month of operation, had been followed by only negligible movements of prices; but the direct distribution of Treasury cheques in the rural regions—in some countries the number of cheque payments exceeded the number of farms—greatly allayed agrarian discontent.

By the middle of November, however, cold weather was approaching, and the estimates still showed 8,000,000 or 10,000,000 unemployed in the industrial centres. The N.R.A. had unquestionably forced some employment, and the recovery in industry had absorbed some workers, but owing to the exhaustion of individual savings and local relief resources, the problem of the urban unemployed was more acute than at any previous time. The Administration threw the credit of the Government into a programme of direct relief in the urban centres. It accelerated the Public Works activity—a slow-moving device at best—and created the Civil Works Administration, which was nothing but a thinly disguised federal dole. Within three weeks (by the middle of December) the C.W.A. had 4,000,000 men on its rolls, and was distributing \$50 million weekly.

At the end of the year, when Congress reconvened, the relief elements of the programme had superseded the recovery and the reform features. The budget had become committed to a system of direct relief expenditures which could not be interpreted in terms of either recovery or reform, and

which, once adopted, seemed to be politically irrevocable. The economic problems of agriculture and labour had been transferred to the Treasury, and, under the exigencies of political pressure from the farmers and the unemployed, the depression had been translated into terms of a fiscal problem.

A large proportion of the 7,000,000 farmers had become the recipients of federal subsidies in one form or another; 4,000,000 urban unemployed were receiving a federal dole; and it was claimed that over 2,000,000 more were directly or indirectly supported by various forms of federal work. It does not seem to be an exaggeration to say that at the end of the year fully 10,000,000 families—possibly about a quarter of the entire population—were in receipt of federal funds, under some of the many forms of relief. The outstanding fact of American economy was not the monetary programme of "controlled inflation," nor the experiment in planned economy under the N.R.A.; nor was it the fact that the commodity index and the index of production had risen above their extreme low points. It was the magnitude of the federal deficit, largely caused by direct expenditures in an effort to relieve individual destitution, coupled with the fact that the monetary programme appeared to be in process of becoming a function of the fiscal programme.

It is, therefore, possible to divide the history of the first year of the Administration into three phases, according to their most emphatic feature. The first period—April to July—saw a remarkable *recovery*, partly speculative, in manufacturing, in production, and in commodity prices. The second period—August to November—was marked by a decline in production and prices; but this was the period of emphasis on *reform*—crop curtailment in agriculture, and the establishment of the N.R.A. in industry. The third period—November to the present date—has seen the emphasis on *relief*, namely, price fixing in agriculture, the federal dole for the unemployed, and some acceleration of public works. All other features of the programme had become subordinate to the premise that recovery was to be sought by the lavish expenditure of public funds, to be financed by borrowing no less than \$6,000 millions in six months. Such a programme can well be termed audacious, since it proposed a 30 per cent. increase in the public debt in a single year—a policy only to be justified by complete success.

Recovery, in the writer's opinion, began in the summer of 1932, and subject to two major reverses (the banking debacle of February and the slump in the autumn of 1933) has persisted up to the present. But even assuming that this trend continues as favourably as is economically imaginable, it is doubtful if it carries with it the prompt solution of our two most urgent social-economic problems. These problems confronted the Administration when it took office in March, they confront it to-day, and essentially the only change for the better which has occurred during the past year is that their existence is now publicly recognised.

These two major problems are :—

The Farm Problem,  
The Labour Problem.

These problems have been intensified by the depression, but they both existed before the depression. Indeed, both had come into existence before the war.

#### THE FARM PROBLEM

What the Irish Problem is to England, the Farm Problem is to the United States. There has always been a Farm Problem in American history, but from the first settlement down to 1920, there was always one powerful factor to relieve depression. The secular trend of land values, caused by the rapid growth of population, was continuously upward. The farmer might lose on bad crops or low prices ; but, for a period of years he could, and did, count on the " unearned increment " to work in his favour.

In colonial days the main problem was that of defending the frontier settlements against the French and Indians, and the disputes arising from that problem played no small part among the causes of the revolt of 1776. The early nineteenth century witnessed the problem of financing the opening of the West, and this led to " wildcat banking," the destruction of the Second Bank of the United States, and the devastating depression of the late '30's. Two decades later the irreconcilable differences between an agricultural south and an industrial north were among the leading causes of the Civil War. From the Civil War to the end of the century there was one long dispute between the industrial north-east and the agrarian west and south, expressing itself in the Greenback, the Populist and the Free Silver movements, all quite modern



in their emphasis upon managing price-levels by monetary devices and curbing the capacity of corporate enterprise.

Farmers, beyond all others, have inherited from their forefather Adam the nostalgia for a lost paradise, a golden age in some vague but half-remembered past. Yet, if there ever was a golden age in American agriculture, it was the first two decades of the twentieth century. The grinding competition with newly-opened free land had been ended with the settlement of the Cherokee Strip in the early '90's; the most burdensome of the farm debts had been either survived or defaulted by 1900; the enormous immigration from 1900 to 1914 had increased the domestic market; and these as well as other forces had lifted the price of agricultural commodities both absolutely and relative to manufactures. Yet there was farm discontent, partly directed against the railroads and more against the tariff, and it contributed to the election of Mr. Wilson in 1912. Still, this resentment was forgotten in the war boom which culminated in 1920.

From 1920 to 1932 the story of American agriculture is a story of deepening adversity. Intensified agricultural production in the British Dominions and Colonies and in South America, combined with European progress toward agricultural self-sufficiency, was deflating American agriculture. Academicians may recall the halcyon price-level of 1926, but even in 1926 the Farm Bloc in Congress was clamouring for relief almost as violently as in 1932.

American agriculture was a contracting industry from 1920 to 1932, in the sense that not merely the cash value but the exchange value of farm products was falling, and with it the value of farm land. The secular trend of land values seems definitely to have broken with the break in the trend of population growth. This brought pressure on the farmer in three forms. First came mortgages. About half the farms in America were mortgaged, and about a quarter of them were classed as heavily mortgaged. Although the mortgage problem is usually rated first among the phases of the farm problem, in the writer's opinion it is of secondary importance. Secondly there was the petrol motor. Between 1920 and 1932 the motor car and the tractor largely displaced the horse and the mule in American agriculture. Only those familiar with the former loneliness of American farms will appreciate what the motor car has meant to American farm life. Whether or not this

change increased the farmer's "efficiency" is irrelevant. It increased his money outgo, and it did not increase his money income to the same extent. The third form of pressure came from taxes. Thirty years ago taxes on agricultural land were low, and as a rule were "worked out" by a few days' labour on the "dirt roads" of the locality. In the last twenty years rural taxes have become high, partly to maintain better, or at least more imposing schools, and partly to pay for the improved roads required by motor vehicles. While better schools and better roads raised the farmer's standard of living, their support increased his money outgo and did not increase his money income. Even in good years—and in the middle '20's there were "good" years in agriculture—a successful farmer, after meeting payments and maintenance on his motor equipment, his taxes, and his interest charges, had little cash income. In poor years he had none. And few farmers have "other income" on which to draw when current operations end in a loss.

This farm problem does not lend itself to easy solution. The United States has brought under cultivation an area of very productive land, which under modern methods can yield (one might say, cannot but yield) agricultural products in excess of our domestic requirements. There are two obvious rational lines of approach. We could concentrate on an effort to secure and maintain export outlets, subordinating, if or as necessary, all conflicting policies, such as our tariff policy, debt policy, etc.; at the same time withholding all aid and comfort from the producer who by himself could not pay his way. Whether, if such a programme had been clearly conceived, say, in 1921, and persistently followed, it would have been successful is problematical in view of the agrarian and autarchic policies of our possible customers. At least, it would have been economically defensible. The other line of approach is antithetical. We could adopt a programme of agrarian self-sufficiency, theoretically, without exports. We could, for example, undertake to supply ourselves with sugar, wool, flaxseed, and even rubber (all of which we import); and abandon or redeem all unprofitable acreage for forest reserves.

We have pursued both lines and neither line. Our tariff and debt policies have militated against our agricultural exports. At the same time our reclamation and irrigation programmes have operated to increase acreage, and successive



administrations have sponsored programmes of "farm relief" by extending government credits which have solicitously maintained the marginal producers. As a result, the farm problem, difficult in 1921, was more difficult in 1933.

Nor does the present farm programme offer anything in the character of a permanent solution. This programme, as yet, consists chiefly of an attempt to limit production to the demands of the domestic market, by the payment of extravagant bounties for curtailment. To the extent that the programme is successful in reducing output to domestic needs, it is giving agriculture an artificial and precarious prosperity, partly subsidised by the Treasury at an incalculable cost, and extremely irregular in its incidence. To the extent that it is unsuccessful in reducing output, it commits the Government to direct price support, and, in the end, to programmes of dumping abroad of the state-owned accumulations.

An additional fact is worth emphasising. The programme of dollar depreciation was undertaken primarily to aid agriculture. The dollar has been depreciated by nearly half, and agricultural prices have risen. Yet an analysis of individual price movements shows that in scarcely any domestic agricultural product except cotton has dollar depreciation been the decisive factor in price lifting; and that even in cotton, which has been a direct beneficiary of the currency policy, an elaborate scheme of subsidised crop curtailment has been a major factor (and perhaps the major factor) in the price rise. In the writer's opinion depreciation has been the minor influence in our price rise, and direct price-raising schemes the major influence.

In short it will be recognised that socially and politically the pressure to adopt policies to raise agricultural prices was irresistible. To that end the programme of currency depreciation proved disappointing; but the collateral programme of curtailment subsidies proved efficacious in raising farm income and in allaying agrarian discontent, though only at the cost of converting the farm problem largely into a fiscal problem.

#### THE INDUSTRIAL PROBLEM

The farm problem is mentioned first, partly because it is politically the most urgent. Although less than one-third\* of the American people are associated with agriculture, our

\* In the 1930 census 21 per cent. of all persons gainfully employed were listed as farmers.

system of political representation allows this fraction to dominate the Senate and to control the House. Far more urgent, economically, is the problem of urban labour, and specifically that of urban unemployment.

It is no unique distinction for America to have an unemployment problem. All industrial nations have an unemployment problem. The difference between the American problem and all others, is that America has been an industrial nation for a generation ; but until last spring America refused to acknowledge the existence of an unemployment problem. Until last spring the unemployed were presumed, first, to live upon their savings ; second, to depend upon the generosity of friends and kin-folk ; and finally, when destitute, to await the bounty of charity. The economic theory behind this practice was the belief that a man could always find a job if he was willing to work, unless he had temporary hard luck. This may sound silly, but, broadly speaking, it is historically true. If a man could not find work at home he could always "go west and grow up with the country." It was so true that even in "hard times" our economy was habitually capable (except during brief crisis periods) of finding employment for our own people and also for a variable number of immigrants. In other words, unemployment was regarded as a synonym of laziness. The only exception was that of physical disability, and then its victim became technically a pauper.

This situation was not due to the rapacity of employers. It was accepted without question by the employees. The employee, losing his job, always expected shortly to find not only another, but a better one. So confident was he in his expectation that he did not hesitate to incur debt, whether for the purchase of a dwelling, or a motor car, or anything else ; nor did the seller of those articles, equally confident, hesitate to extend to him the needed credit.

Nothing proves the existence of this complacent confidence of the American working-man in the continuity of his economic welfare more than the fact that he took no action to secure it. Long after the American business man had begun to seek in organisation an alternative to "rugged individualism" the American working-man continued to trust in his ability to take care of his economic self. He did not, in most cases, organise himself into a trade union for mutual support and protection. It never occurred to him to organise a "labour party"—such a

conception was un-American. The idea of unemployment insurance had no appeal for him, because he never expected to be unemployed. This may sound to a European like a happy-go-lucky manner of living, but the American workman was neither thriftless nor improvident. His attitude was the consequence of his economic experience, precisely as the opposite attitude of the European worker is the outgrowth of his economic experience. The self-reliance of the American worker was a heritage of the frontier, and of an economy expanding so fast that its continuing characteristic, as it concerned him, was a scarcity of labour. The idea of group organisation was, if not repugnant, at least antipathetic, for it implied a class consciousness that he simply did not feel—again an attitude inherited from the egalitarian society of the frontier.

If the war decade was the paradise of the American farmer, the post-war decade was the paradise of the American industrial worker. He was, on the average, fairly treated and fairly paid—as is proved by the fact that he felt able to incur debt, and that sellers felt able to sell to him on credit. It proved to be a fool's paradise; but it was not until the depths of the depression that he realised its essential lack of even elemental security. Even in 1933, the fourth year of severe unemployment, it proved easier to induce business men to organise trade associations under the N.R.A., than to create the labour organisations contemplated by the Recovery Act. It is easy to attribute this absence of organisation to any one of many causes—the incapacity of labour organisers, the lack of prestige of the American Federation of Labour, the opposition of employers. Yet the fact is that if American labour had been class-conscious or more aware of the essential insecurity of the individual, it would have organised more promptly and more effectively.

In the preceding paragraph the writer mentioned the lack of prestige of the American Federation. He very nearly used the word "disrepute." The "professional" labour leader, on the average, does not stand high in the regard of the American working-man. In too many instances he is rated as a grafter, if not a racketeer; and in too many cases, organised labour has proved to be a pretty close affiliate of organised crime, and the labour thug has a status in the underworld neither higher nor lower than the gunman of a bootleg gang, or the hatchet-man of a Chinese tong.

Nevertheless, the depression has, in the writer's opinion, brought a lasting change to American labour. It is now aware of its insecurity under its old status, and it is seeking a new security by more general organisation. The status accorded to labour under the National Recovery Act apparently gives it great powers, and correspondingly great social responsibilities, but even so, organised labour believes that as the Act has been administered, its legitimate powers have been curtailed. The annual report of the Federation voices this disappointment, and implies determination to regain these powers. A year ago there were ten or twelve million unemployed industrial workers in this country, and there was no labour movement. There are fewer unemployed to-day, but a labour movement has come into being. It is increasingly class-conscious, and it is a force to be reckoned with in our economy.

The form which this labour movement will assume is not yet visible even in outline, at least to the writer. It is not Marxian, nor is it Fascist. Such aims as have appeared are not recognisable as akin to those of German social democracy, and it still lacks the intense class-consciousness of the British labour movement. The words "right" and "left," so precise in their European implications, have almost no meaning in America. The very fact that it is still in formation makes its economic incidence difficult, if not impossible, to appraise. But it is there; it is a new factor in American industrialism; and as it develops it will modify radically the character of American industrialism. If it is merely limited to the problem of unemployment, it will require readjustment of American industry to an acknowledgment of those social responsibilities which have been imposed upon the industry of all other industrial countries. It is likely that its development will be carried beyond that limit. By its very antipathy to class consciousness it may insist on a sort of partnership status in industry. It may seek a political ally in the State; or it may regard the political authority as a rival.

The American economic outlook is dominated by these two problems, which are social and political, as well as economic. They are not transitory problems of the emergency. They require fundamental readjustments.

The Administration offered dollar depreciation as its solution to the farm problem, and combined with it a system of subsidised crop curtailment. These devices afforded a measure

of relief ; but the results were generally so unsatisfactory that it felt itself obliged to resort to additional expedients, not for solving the problem, but for extending more relief.

As a solution to the unemployment problem, the N.R.A. has proved quite ineffective. According to the figures of the Federation of Labour (and they are far from dependable figures) about 2,000,000 persons were absorbed into industry in 1933, of whom only an uncertain proportion could be credited to the share-the-work principle of the N.R.A. It is estimated that the unemployed still number 10,000,000, of whom 4,000,000 are receiving the Federal dole, 300,000 are with the Conservation Corps, and 300,000 are engaged on public works. Also 1,500,000 families are described as on "relief." In short, our official theory is still that unemployment is an ephemeral phenomenon to be met by emergency expedients.

If, on this statement, the results of last spring's legislation seem mediocre, the writer would hasten to make qualifications. Problems such as those of American agriculture and unemployment are not solved by legislative programmes conceived and enacted in 100 days, under the pressure of nation-wide distress. The American people demanded a programme of relief, recovery and reform ; and a programme, admittedly experimental, was given them. It has afforded relief to millions who were at the end of their resources ; it has introduced elements of reform, some of which have sufficiently commended themselves to give prospects of permanence ; and under it, a measure of recovery has occurred. If events have demonstrated that some of the experimental phases are unsuccessful, it was no more than was to be expected. The merit of the spring programme is that it represented a belated attempt to grapple with our basic problems of agriculture and labour. One may dispute the methods and devices employed, but other nations have wrestled with the same problems, by a variety of methods, none of which have given complete satisfaction. One might not unfairly say that the year 1933 had defined but had not solved our two great problems.

Broadly speaking, last spring's programme was an experiment in economic nationalism, both in agriculture and in industry. The experiment, as applied to an agriculture of abounding capacity, has proved so little successful as to suggest the possibility of a reversal of agricultural policy in the direction of internationalism. Signs are not wanting that the man on

the farm would prefer increased exports to reduced acreage. But exports imply imports, and a swing toward internationalism in agriculture might provoke a conflict with industry which, in the writer's opinion, has, under N.R.A., become increasingly nationalistic. Nor, probably, would the re-opening of export markets alone ensure a price system required to give the farmer his desired income.

As for unemployment, it is a truism to say that the present lavish expedient of the federal dole is no permanent solution. On the other hand, the writer does not believe that we shall revert to our former system under which the unemployed were thrown entirely upon their own resources, or upon the charity of friends or strangers.

Candidly, the writer sees no permanent solution to the problem of American agriculture which does not include the opening of export markets at some sacrifice of our system of protection. Nor does he see any permanent solution to the problem of unemployment which does not include a formal and permanent scheme for imposing upon American industry some part of the burden hitherto borne by the unemployed member himself and now supported by the Federal deficit. Neither of these proposals was included in last spring's programme, nor are they now a part of the Administration programme. Neither is sponsored by any political party, and both would be bitterly opposed by American industry.

Superficially, there is now no farm problem. The farmers are now more prosperous than they have been for years, except for those groups, like the sugar growers and the livestock raisers, who have not yet been brought, but presently will be brought under the ægis of the Agricultural Adjustment Administration. But this well-being rests upon a system of controls in turn resting upon subsidies, partly supported by the Federal Treasury, whose direct contribution in 1934 is estimated at close to \$1,000 millions.

Superficially, also, there is no problem of unemployment, or rather, the problem of unemployment has been assumed by the Treasury. Also the principle of the Federal dole, like the principle of the agricultural subsidy has already become, it would seem, politically irrevocable.

To sum up: Our two great social-economic problems have been met by transferring them bodily to the Treasury, and by adding their cost to the already imposing deficit. For



political reasons it seems highly unlikely that as budget charges they can be eliminated. For economic reasons it is equally unlikely that these budget charges can be covered by taxation, or even by borrowing, as the term is ordinarily understood. In other words, of the three elements of the programme—relief, recovery, and reform—the element of relief has become politically predominant. This relief has taken the form probably inevitable under our political system, for it has transferred the most acute phases of the economic problem to the Federal Treasury. The Federal Treasury, however, appears to be quite incapable of carrying these burdens with its ordinary resources, and in order to support demands which it is politically unable to refuse, it may fall under irresistible pressure to subordinate its monetary policy to its fiscal programme.

In confronting the problems of depression, the United States has illustrated both the strength and the weakness of democracy, for though the American people have given the Administration almost dictatorial powers, they have not established a dictatorship. The events of the past year show that the weakness of a democratic system of government is its susceptibility to the clamour of the moment, and its readiness to accept expedients as remedies. Its strength lies in its toughness, in its flexibility, and above all in its willingness to acknowledge error and to learn from experience. The programme formulated a year ago was in no sense an expression of final policy. It has been greatly modified and the process of revision is still continuing. Nevertheless it has introduced a profound change in the American economic system, for the State has now very definitely engaged itself directly in economic affairs, and while in the future it may either tighten or loosen its hold, it is not likely to let go. For good or for evil the American people will henceforth look to Washington for direction in their economic affairs in the firm belief that "not only *can* the State give them satisfaction, but that it *must* do so."

ROBERT B. WARREN.

March 10th, 1934.

### **British and American Price Movements**

**D**URING the past two years both the British and the American Governments have declared themselves in favour of monetary and economic policies calculated to promote a rise in internal prices. The British Government has relied mainly upon protecting the pound against sudden fluctuations, upon reducing interest rates and making credit as cheap and as plentiful as is reasonable, and upon co-ordinating the production, importation and marketing of certain products (mainly agricultural) where prices were being depressed by excessive and unregulated supplies. The American Government, under President Roosevelt and his advisers, have adopted more drastic methods, which include the deliberate devaluation of the dollar against gold and gold currencies.

Without seeking to prejudge the merits or the successes of economic policy on either side of the Atlantic, it is of some importance to see how prices have actually been moving, and to illustrate this a series of tables have been prepared. The tables begin with the year 1926, for the restoration of the price-level of that year is popularly supposed to be one of the American Government's objectives. The next key date is September, 1931, when Great Britain suspended the gold standard, and there naturally follows April, 1933, when American prices were practically at their lowest and when the United States suspended the gold standard. Then comes mid-July, 1933, which marked the end of the first upward rush of American prices; and mid-October, 1933, which witnessed the termination of the subsequent setback and the inauguration of the depreciation of the dollar against gold. The tables terminate with the position at the end of February, 1934, or in one case, where later details were not available, with December, 1933.

To facilitate comparison, all prices are given in the form of index numbers. Mid-September, 1931, is taken as the base date, and the prices current on that date are equated to 100. This is the natural base to select for British prices, but as in the case of American prices it is also of interest to measure the recovery since April, 1933, an extra column is added which gives that information. A final column is also given showing the extent to which American prices still fall short of their 1926 level.



The first table gives details of the British prices of twenty primary commodities, consisting of five foodstuffs and fifteen raw materials. Average index numbers are given for the four principal classes of commodities and also for the complete list of twenty items. This last figure may be regarded as a reasonable indication of movements in the sterling prices of primary commodities :—

#### STERLING PRICES OF PRIMARY PRODUCTS

	Average Price 1926	Mid- Sept., 1931	Early April, 1933	Mid- July, 1933	Mid- Oct., 1933	Feb. 28th, 1934
Wheat, Canadian ...	264	100	112	148	107	118
Maize ... ..	233	100	135	129	111	142
Beef, Argentine... ..	98	100	81	85	96	96
Butter, Danish ... ..	140	100	70	74	84	73
Tea, Indian ... ..	168	100	88	85	115	123
Food Average ... ..	170	100	94	100	102	108
Cotton, American ...	243	100	136	171	143	173
Wool Tops ... ..	235	100	110	156	161	190
Silk ... ..	269	100	80	105	92	85
Jute ... ..	239	100	87	104	89	100
Hemp ... ..	268	100	92	103	97	97
Textiles Average ...	250	100	100	125	113	122
Pig-iron ... ..	148	100	107	107	107	115
Copper ... ..	189	100	91	124	108	105
Tin ... ..	248	100	130	185	193	194
Lead ... ..	288	100	97	123	110	106
Coal ... ..	124	100	101	101	101	101
Minerals Average ...	193	100	97	127	122	123
Hides ... ..	141	100	75	112	108	87
Rubber ... ..	985	100	88	172	170	206
Linseed Oil ... ..	226	100	112	155	128	139
Tallow ... ..	228	100	107	113	120	110
Timber ... ..	126	100	103	103	103	103
Miscellaneous Average...	246	100	95	126	124	123
Complete Average ...	211	100	98·3	119·1	114·4	118·1

The first impression left by the table is that of the wide diversity of the movements. While there has been an average

advance of 18·1 per cent. since we went off gold, it is wrong to say that every price has risen, for in five cases declines have been recorded. Nor is there any definite evidence that this rise in sterling prices is directly connected with the divorce of sterling from gold, for nearly the whole of this list of commodities are either produced at home or somewhere within the sterling area; while the remainder come from the United States. It would be a far truer statement to say that the divergence of sterling from the gold currencies was followed by a stabilisation of sterling prices coupled with a further depression of gold currency prices. It will probably be a matter for argument for many years to come whether or not the British suspension of the gold standard contributed to this further fall in gold prices.

On the other hand there is some evidence that American economic changes since last April have, in conjunction with the general trade revival, had some effect upon sterling wholesale prices, though very little upon the cost of living. This appears from both the preceding and the following table :—

United Kingdom	Prices of Primary Products	Wholesale Prices	Cost of Living
1926 Average ... ..	211	165	119
Mid-September, 1931 ... ..	100	100	100
Early April, 1933 ... ..	98·3	98·7	95
Mid-July, 1933 ... ..	119·1	107·5	95
Mid-October, 1933 ... ..	114·4	105·4	98
February 28th, 1934 ... ..	118·1	108·9	97
Rise since April, 1933 ... ..	+20·2%	+10·3%	+2·1%

As was to be expected, prices of primary products were subject to much wider movements than the other two classes of prices; for in these latter classes prices are governed by more stable factors such as wages, rent, fixed charges, and other elements of cost. The cost of living index number, which reflects certain classes of retail prices, is the most stable of all. Reference to the first table brings to light a further interesting fact, namely, that wider movements occurred in prices of raw materials than in those of foodstuffs. This is equally true of the decline from 1926 to 1931, and of the recovery since last April.

Coming now to American price movements, the first table embraces a number of leading primary foodstuffs and materials. An average figure for the whole group is also given :—

DOLLAR PRICES OF PRIMARY PRODUCTS

	Average Price 1926	Mid- Sept., 1931	Early April, 1933	Mid- July, 1933	Mid- Oct., 1933	Feb. 28th, 1934	Change from early April, 1933, to Feb. 28th, 1934	Change 1926 to 1934
							%	%
Wheat ...	259	100	115	187	136	155	+ 35	- 40
Lard ...	200	100	62	105	73	91	+ 47	- 55
Coffee ...	325	100	111	112	109	144	+ 30	- 56
Cocoa ...	250	100	73	119	83	121	+ 66	- 52
Sugar ...	126	100	88	106	94	101	+ 15	- 20
Maize ...	171	100	74	145	90	114	+ 54	- 33
Oats ...	186	100	91	212	134	155	+ 70	- 17
Bacon ...	165	100	91	100	95	100	+ 10	- 39
Copper ...	197	100	67	117	100	106	+ 58	- 46
Tin ...	264	100	100	189	186	208	+108	- 21
Lead ...	191	100	68	102	93	91	+ 34	- 52
Pig-iron ...	110	100	80	97	111	117	+ 46	+ 6
Cotton ...	269	100	99	175	142	184	+ 86	- 32
Rubber ...	968	100	56	149	137	199	+256	- 79
Cotton Oil ...	268	100	83	149	87	112	+ 27	- 58
Petroleum ...	336	100	65	65	107	109	+ 68	- 68
Linseed ...	133	100	85	157	126	135	+ 59	+ 2
Average ...	224.7	100	82.0	129.2	109.1	128.0	+ 56	- 43

Once again, the divergent character of the individual movements becomes apparent. During the initial depression, up to September, 1931, the price declines ranged between proportions of 968 : 100 for rubber to only 110 : 100 for pig-iron, the average decline being from 225 to 100, or 55.6 per cent. The next eighteen months, up to April last, witnessed still further depression, the average figure falling by another 18 per cent., but in one or two items, including wheat, there was some recovery. Then came the American suspension of the gold standard, with its initial impact upon prices. This led to the rise which lasted until the middle of July, and carried the average figure up from 82.0 to 129.2, a rise of 57.5 per cent. Here again the movements were most divergent in character. At one extreme, rubber nearly trebled in price, but at the other extreme coffee and petroleum were practically unchanged.

In July, the speculative rise in prices broke, and the inevitable reaction followed. This lasted until mid-October, and depressed the average figure to 109.1, a fall of 15.5 per cent. The reaction, too, was very general, the main exceptions being coffee, tin, pig-iron, and petroleum. Coinciding as this reaction did with an advance in the prices of finished goods and retail prices generally (illustrated in a subsequent table), it is clear that it placed primary producers generally in a very difficult position; for their expenses were rising just at the time when their selling prices were falling. It was largely to reverse the downward trend of primary products that the American Government sought to raise internal prices first by official gold purchases and finally by the devaluation of the dollar to 59.06 per cent. of its former gold content.

The extent to which these operations succeeded is measured by the increase in the average figure from 109.1 to 128.0, or by 17.2 per cent., between October, 1933, and the end of February, 1934. Once more the movements are very diverse in character, and it is also curious that over the whole ten months from April, 1933, onwards, the two greatest price increases are in imported commodities, namely, rubber and tin. Next come cotton and petroleum, and in these cases special restriction schemes have been at least as great an influence as general American monetary policy. Again, the recovery in the general figure since October has just fallen short of the peak figure recorded in July. All these facts suggest that American monetary policy since October last has exercised a relatively minor influence upon American internal prices. Still, taking the last ten months as a whole, there has been a spectacular advance, averaging 56 per cent., in the prices of these products. Even so they are still on the average 43 per cent. below their 1926 level, so that if this latter point is the objective, it is still a long way off.

The final table seeks to provide an answer to the question how far the recovery in primary products prices has been neutralised by increases in retail prices and the cost of living, due to the application of the N.R.A. labour codes. The details relate to the American Bureau of Labour index number, as published in the American *Survey of Current Business*, but unfortunately no information was available later than December. This makes it difficult to assess movements since the inauguration of the new American monetary policy in October.

## AMERICAN PRICE MOVEMENTS

	Ave. Price 1926	Sept., 1931	April, 1933	July, 1933	Oct., 1933	Dec., 1933	Change April to Dec., 1933	Change 1926- 1933
Raw Materials ...	159	100	80	99	99	99	% +24	% -38
Farm Products ...	165	100	74	99	92	92	+24	-44
Grains ...	227	100	101	166	132	137	+36	-40
Semi-manufactures...	150	100	86	104	109	108	+26	-28
Finished Goods ...	132	100	87	95	99	99	+14	-25
Building Materials	130	100	91	103	109	111	+22	-15
Chemicals and Drugs ...	131	100	93	96	95	97	+4	-26
House Furnishing Goods ...	121	100	86	90	98	98	+14	-19
Textile Products ...	155	100	80	105	120	118	+47	-24
Wholesale Prices ...	140	100	85	97	100	100	+18	-29
Retail Prices—								
Food ...	134	100	76	88	90	89	+17	-34
Dept. Stores ...	114	100	79	87	100	101	+28	-11
Cost of Living ...	121	100	83	88	91	90	+8	-25

The first three lines in the table relate mainly to primary producers, for they give index numbers for raw materials, farm products and grain prices. The recovery between April and July is common to all three figures, but while farm products and grain reflect to the full the autumn setback, raw material prices in general have apparently remained unchanged. Such a result is very surprising, as it conflicts both with the other two figures, and also with the average figure at the foot of the preceding table. Much depends on how this raw materials index is arrived at. It may embrace a number of items which strictly speaking are not usually classed as primary products.

Most of the remaining figures in the table, relating to the wholesale prices of finished goods, to retail prices, and to the cost of living, continued to advance between July and October of last year. The extent of the farmer's predicament at that time may well be illustrated by the fact that whereas his own farm products index fell from 99 to 92, the retail prices charged by department stores rose from 87 to 100, the wholesale prices of furniture rose from 90 to 98, and the wholesale prices of dry-goods and textile products rose from 105 to 120. Nor had he obtained much relief by the end of the year.

Over the whole period from April to December, 1933, the advances in the prices of raw materials and farm products have outstripped the rise in food prices and the cost of living, but fall short of the increase in the prices charged by department stores. Thus on balance the primary producer has lost through the rise in his expenses about as much as he has gained through the rise in his selling prices. The most that can be said is that the American Government has been able to stimulate a general rise in prices sufficient to leave room for the increase in costs, which the adoption of the reforms contained in the N.R.A. labour codes inevitably brought about. The last column in the table shows that even in December, 1933, primary products prices had still fallen the most in comparison with 1926.

This completes the analysis of British and American price movements. The main lesson is that of the great divergence of individual commodity price changes. This both makes it extremely injudicious to seek to define dogmatically the actual height of the price-level in either country at any particular date ; and also suggests that factors such as good or bad crops, or quota and restriction schemes, can exercise an even greater effect upon prices of particular commodities than can general monetary influences. The whole question of raising or determining the general price-level needs in fact to be approached with the utmost caution.

## Notes of the Month

*The Money Market.*—The dominating factors have again been the seasonal collection of revenue and redemption of Treasury bills. Largely owing to tax payments by the public into the Exchequer, public deposits at the Bank of England averaged £25·5 millions during February, against a normal figure of between ten and twenty millions, and it was only on March 14th that they fell to their usual size. Conversely, bankers' deposits, which earlier in the year had been well in excess of £100 millions, fell to an average of £97 millions in February, and only returned to £112 millions on March 14th. The February clearing bank returns recorded reductions below January of £53 millions in deposits and £14 millions in cash. These figures showed that a fair amount of money had been transferred temporarily to the Treasury, and so it is not surprising that money ruled firm at  $\frac{3}{4}$  per cent. or that the market had to borrow a fair amount of 1 per cent. money from the clearing banks. Simultaneously, the current excess of revenue over expenditure has been applied to the reduction of Treasury bills. Between the New Year and March 31st the total Treasury bill issue was reduced from £939 to £800 millions, while the total of bills allotted by tender and outstanding at any given date fell from £597 millions at the New Year to £457 millions on March 31st. In face of this reduction of £140 millions, or 23 per cent. in the market's supplies of Treasury bills, it was inevitable that there should have been some reduction in discount rates. For many weeks the clearing banks kept their buying rate for three months' Treasury bills at 1 per cent., but on March 16th they had to reduce it to  $\frac{7}{8}$  per cent. Their rate for earlier bills was also reduced from  $\frac{7}{8}$  to  $\frac{1}{2}$  per cent. A week later, the rate for June bills was raised to  $\frac{1}{2}$  per cent., and the rates for earlier bills were raised to  $\frac{3}{4}$  per cent. At the end of March the clearing banks' rate for July bills was fixed at  $\frac{1}{2}$  per cent. The average tender rate for Treasury bills also fell from 19s. 4·05d. per cent. at the New Year to 13s. 11·75d. per cent. on March 23rd. Some increase in the supply of Treasury bills may be expected in April, when Government expenditure once more begins to exceed revenue, but it must be remembered that recent Conversion Loan and other issues have permanently reduced the size of the Treasury bill issue,



so that the money market is having to find other ways of employing its funds.

*The Foreign Exchanges.*—By the end of February, the French franc had risen practically to its new parity of 6·63 cents against the dollar, with the result that the outflow of gold from the Continent to the United States came to an end. Since then the rates between London, Paris and New York have remained very steady, and the London exchange market has been dull and featureless. Spot dollars have depreciated slowly to just over \$5.10, but the discount on forward dollars has practically disappeared, so that there is obviously confidence in the future stability of the dollar. French francs at one time appreciated until the pound fell below Frs.77, but the British control promptly sold francs and restored the rate to above Frs.77. Far too much was read into this operation, which was simply in fulfilment of the Exchange Equalisation Account's normal function of smoothing out sudden fluctuations in rates. Forward francs remain at a wide discount, but the margin is less than it was in early February. Gold movements from Europe to the United States were about £100 millions up to early March, while a further £41 millions came from the Continent to London, possibly for safe custody. Most of this £141 millions of gold, however, came from private hoards, for the central banks of countries in the European *gold bloc* only lost about £66 millions. French losses were £37 millions, Dutch losses £17 millions and Swiss losses £10 millions. The Reichsbank, however, has also been losing gold, with the result that by March 23rd the gold cover of its note circulation had fallen to 8·0 per cent. against 11·5 per cent. on January 6th. Heavy imports of raw materials have also transformed Germany's trade balance from a favourable into an adverse balance since the New Year, and in view of this weakness of her external position the discount on registered marks has widened from 16 per cent. on February 1st to 33½ per cent. on March 20th. The official rate for spot marks depreciated during the same period from Rm.12·77 to Rm.12·91. These movements, together with the drastic import restrictions imposed towards the end of March, have aroused fears regarding Germany's ability and willingness to maintain her external debt service payments upon even their present modified scale.



*The Stock Exchange.*—While the general undertone remains quite firm, stock markets have from time to time displayed a reactionary tendency during the past month, and it has become clear that by early March prices had in certain markets been driven up to unstable levels. British Government securities have consistently remained very firm, and there is no doubt that there is much money seeking safe employment, regardless of yield. It remains to be seen whether the Government think the time ripe for a further issue, or whether they feel that no further reduction in the floating debt is called for. Among foreign bonds, German issues have been weak owing to the unsatisfactory exchange position and fears of further reductions in interest payments. The high yields obtainable on Japanese bonds caused them to attract some attention early in March. Home railway stocks have been an uncertain market. Heavy speculation early in March, based on good traffic returns and the 1933 dividend increases, forced prices up to relatively high levels. A reaction inevitably followed, but this was of only moderate dimensions and was quickly checked. The industrial market followed much the same course, but fluctuations were on the whole narrower. Gold mining shares have risen to new high records, following the devaluation of the dollar and the February increase in the sterling price of gold. Base metal and rubber shares have fallen below their levels of early February, but oil shares have remained fairly steady. There is no doubt that the past year's improvement in trade justifies a higher level of prices on the Stock Exchange as a whole. At the same time there is plenty of money seeking employment in investment and speculation, and it must be remembered that the pressure of this money may at times drive prices up to levels higher than are fully justified by the general state of trade and the profit-earning capacity of various industries.

*February Overseas Trade.*—The trade returns for February were reasonably encouraging. Compared with February, 1933, imports increased from £49·1 to £57·4 millions, while those of raw materials alone increased from £13·2 to £18·2 millions. Among exports, coal shipments rose from £2·3 to £2·7 millions, while there was a general improvement in our exports of finished products, the most notable exception being the cotton trade. The general impression left by the returns for the two months is that the revival in our home trade has outstripped the revival in our export trade. This alone can explain the big

increase in raw material imports, and the relatively small expansion in our export trade. Cotton exports have fallen in value by  $7\frac{1}{2}$  per cent., but most of our exports show a slight improvement. Our adverse trade balance is higher than it was a year ago. This is due to our increased imports of raw materials, consequent upon the expansion in home production and trade.

Description	Jan.-Feb., 1933	Jan.-Feb., 1934	Increase (+) or Decrease (-)
	£ mn.	£ mn.	£ mn.
Total Imports ... ..	102·9	122·0	+ 19·1
Retained Imports ... ..	94·3	112·7	+ 18·4
Raw Material Imports ... ..	28·1	39·5	+ 11·4
Manufactured Goods Imports ... ..	22·0	27·1	+ 5·1
Total Exports, British Goods ... ..	57·1	61·7	+ 4·6
Coal Exports ... ..	4·9	5·1	+ 0·2
Iron and Steel Exports ... ..	4·4	4·8	+ 0·4
Cotton Exports ... ..	10·6	9·8	- 0·8
British Manufactured Goods Exports ... ..	43·6	46·8	+ 3·2
Re-exports ... ..	8·6	9·3	+ 0·7
Total Exports ... ..	65·7	71·0	+ 5·3
Visible Trade Balance ... ..	-37·2	-51·0	-13·8

## Home Reports

### The Industrial Situation

The improvement in trade on the whole was well maintained. There has been the normal seasonal improvement in employment, railway traffic receipts remain above last year's level, and retail trade for February also showed an improvement of 3 per cent. on a year ago. Coal production was the highest for any February since 1930, and the output of iron and steel established a similar record. New building plans registered a substantial increase over last year. The reports published in the following pages are also for the most part encouraging. On the other hand, in one or two trades there is an impression that new business is beginning to fall away. Continental competition is becoming more noticeable in the iron and steel industry, and certain of the engineering trades are beginning to comment upon the growth of American competition in both the home and neutral markets. The motor industry, however, is still free from American competition. On the whole, the outlook for home trade remains good, especially when it is remembered that there is often a slight lull immediately before the budget.

### Agriculture

*England and Wales.*—According to an official report, cultivation work was more forward than usual at the end of February. Very good seed beds have been obtained, and in some districts spring sowing began at an unusually early date. Autumn-sown crops presented a satisfactory appearance during the month, but were in need of rain. Lambs have done well, being strong and healthy, and prospects among hill sheep are also good. Cattle generally have done well and milk yields have been maintained. Sheep on turnips have done well, but some disease of parasitic origin among grass sheep is reported from various parts of the country.

*Scotland.*—The unsettled weather during March has retarded farm work generally, but farmers are in a position to get ahead with sowing and planting as soon as conditions become propitious. The wheat crop is promising well, given

freedom from any severe frost. In the produce markets supplies of grain have been up to average, but prices are still depressed. The price of wheat is about 18s. per quarter, barley is 27s. to 32s., and oats exceptionally weak at 15s. per quarter. Potatoes remain a dull trade, with ware at about 25s. per ton, and there is practically no demand for seed. In the livestock markets supplies of cattle have been above the average with prices tending downwards, but sheep have met an improved demand.

## **Coal**

*Hull.*—Business is very quiet, with the result that prices tend to ease for practically all qualities.

*Newcastle-upon-Tyne.*—The market in Durham coal remains quiet, but both Northumberland coal and Durham best bunker and coking coal are in good demand. In Northumberland a steady trade throughout the year appears assured.

*Sheffield.*—The outlook is improving. Enquiries on export account are still increasing and the demand for industrial fuel continues satisfactory. Gas coal is quiet, and house coal steady.

*Cardiff.*—The steam-coal market is still unsatisfactory and demand is poor. All classes are readily obtainable at schedule prices. There is still a good inland demand for coke.

*Newport.*—Foreign shipments during February showed distinct improvement as compared with the previous month and with February last year. Shipments in March promise to be at about the same level. At the moment there is evidence of a lack of demand from abroad, but the inland trade shows an improvement.

*Swansea.*—There is a satisfactory enquiry for best anthracite, but other qualities are very irregular. Steam coals show little alteration, and bunker coals are moving very quietly.

*East of Scotland.*—In both Fife and the Lothians steam coal is rather weak. Washed fuels are also dull, except for singles and pearls which continue to meet a steady demand. Requirements of house coal are easily met from stocks on hand, which tend to accumulate.

*Glasgow.*—With very few exceptions all classes of coal are plentiful, but the home demand is tending to diminish. Export business is also quiet, partly owing to keen Polish competition.

## **Iron and Steel**

*Birmingham.*—Trade shows some improvement over last month, and most of the foundries are well employed. Pig-iron is in keen demand, but smelters are watching for the seasonal collapse of the coke market before planning for increased output. The principal makers of steel billets are busy, but the trade in soft billets is very poor.

*Sheffield.*—All branches of the steel trade are still working under full pressure. Overtime working is common and yet demand still exceeds available supplies. The remarkable improvement experienced during the past few months applies mainly to the home market, but the export market has also revived during the past month. Prices tend to harden.

*Tees-side.*—Home demand for pig-iron is well maintained, and production has been further enlarged by the restarting of two more blast furnaces. There is a great scarcity of Cleveland iron, and limited stocks of hematite iron are rapidly diminishing. Makers are delivering tonnages in excess of output, and have substantial orders in hand covering the next few months. A scheme of delivered zone prices has now been introduced in the hematite section. Export trade is very small and Continental competition very keen. Semi-finished steel, especially soft billets, is an active market. The sheet trade is quiet, and new business in structural steel is small. One or two useful export rail orders have been received, and shipbuilding specifications show slight improvement.

*Swansea.*—The tinplate trade is now working at about 60 per cent. of capacity, with sufficient orders in hand to continue working at the same rate for four months. Prices are hardening and there are more large enquiries, especially for quick delivery, than for a long time past. Buyers evidently think that this is a favourable time to fill their requirements. Steel works are working at about 75 per cent. of capacity.

*Glasgow.*—Makers are still well supplied with home orders, but there is a regrettable scarcity of overseas business. This

is even true of Canada, which generally begins to buy more freely at this season of the year, in view of the reopening of navigation on the St. Lawrence River. In the heavy steel trade, makers are steadily employed, but steel sheets are in only limited demand for export, and makers are largely dependent upon home orders. These last, however, are at present of satisfactory volume. The hot-rolled and welders' sections are better employed than other branches of the tube trade, but business in the smaller diameters has improved slightly. Makers of wrought-iron are obtaining increased orders for material from shipbuilders and rivet-makers, but steel re-rollers are very quiet owing to keen Continental competition in the home and export market. The demand for Scottish pig-iron is well maintained, and fourteen furnaces are now in blast.

### Engineering

*Birmingham.*—The motor trade is fairly brisk but spring orders have not quite come up to expectations, though there is still time for improvement. The bulk of the trade is mainly confined to small cars. Prospects in other branches of the engineering industry are brighter, but orders are slow in coming forward.

*Coventry.*—The motor car industry continues to be very busy and has lately been stimulated by the approach of Easter. The pedal cycle and motor cycle trades are also very active and the electrical engineering trade is well employed.

*Leeds.*—Conditions are unchanged.

*Luton.*—Makers of both private and commercial vehicles are still very busy on home and export orders. In general engineering, trade is very brisk in all branches. Hydraulic engineering is distinctly good.

*Sheffield.*—Engineers are benefiting from the general trade improvement and there is more work on hand than for some time past. Future prospects are equally encouraging.

*Glasgow.*—The improvement in the Clyde shipbuilding industry is maintained, and vessels upon which work was started in February and March exceed in tonnage the total launching output in the year 1933. Satisfactory progress is being

made in the building of the warships on order, but contracts for tramp boats are still scarce. Marine engineers are also much better employed than they have been for some years past. Good progress is being made in the construction of autogyro engines, a type of machine which is now beyond the experimental stage.

### **Metal and Hardware Trades**

*Birmingham.*—The trade in non-ferrous metals continues satisfactory, and mills are busy on orders for both the home and export markets. The latter branch of the trade has taken a turn for the better in the last few weeks. There is no change in copper prices.

*Sheffield.*—The cutlery trade has improved, for there is a better demand for medium quality articles, which is replacing the former demand for cheap bazaar goods. Exports of cutlery for February show an increase over the corresponding month of last year. The sterling silver-ware trade has improved slightly, but business in E.P. and S.-ware, table hollow-ware, and spoons and forks, leaves much to be desired.

### **Cotton**

*Liverpool.*—Except for minor fluctuations the value of cotton has remained at recent levels, and it is thought improbable that prices are likely to undergo much change, even assuming the passage of the Bankhead Bill. If this measure becomes law, sales of American cotton for 1934 and 1935 will be restricted to 10,000,000 bales, and growers will be taxed 50 per cent. on the proceeds of any sales in excess of their prescribed quota. There has been some moderate increase in hedge selling, but the shortage of contracts is still pronounced and continues to support prices. As far as the industry itself is concerned, spinners and manufacturers alike find little broadening of export demand, and the bulk of recent Manchester business is reported to be on domestic account. In the spot market the relatively high basis of American quotations has tended to increase the volume of enquiry for outside growths, notably East Indian. A fair business has also been done in Egyptian cotton. Statistics still give evidence of increasing world consumption, but for the six months ended



31st January last the rise of Japan as a textile competitor must be noted. In the period mentioned the United States used nearly three million bales; Japan ranks second and consumed 1,582,000 bales, while this country's manufactures, though higher than for two years past, accounted for the disposal of only 1,272,000 bales. The prominence of Indian cotton in the world market may be gauged by the fact that of the figures quoted above Japan's takings amounted to 605,000 bales.

## **Wool**

*Bradford.*—There has lately been a seasonal lull, which has caused prices to fall slightly from the high point which had been reached in January. Signs of renewed activity are now apparent, and there is a hardening tendency in the raw material markets, resulting in more new business.

*Huddersfield.*—The reduction in wool prices at the last London sales has helped to cause a slackening in immediate demand. Manufacturers report, however, that orders in hand are sufficient to keep the mills occupied for several weeks, and that new orders are coming in fairly satisfactorily.

*Hawick.*—The Border tweed trade continues dull, and looms are only working at about 40 to 50 per cent. of capacity. Hosiery and underwear manufacturers are also quiet, but there is a fair demand for knitted woollen goods for outdoor wear. The price of fine wools has shown a tendency to rise, due mainly to a shortage of supplies from the Dominions.

## **Other Textiles**

*Dundee.*—The jute trade in general is moderately busy and the mills are well off for orders. Raw jute is very firm with but slight fluctuations from week to week; and this firmness is reflected in the quotations for yarns and cloth. The outlook over the next six months is quite favourable.

*Dunfermline.*—The Fifeshire linen trade continues to be moderately active. Several good orders have recently been placed on home account, while there is a little more enquiry for export. The sustained strength of raw material is making it imperative for manufacturers to quote higher rates, and prices of linen goods have still a long way to go before they come into line with raw material costs.



## **Clothing, Leather and Boots**

*Leeds.*—This is the busiest time of the year in the clothing trade, and clothiers will be very well employed until after Whitsuntide.

*Luton.*—In the ladies' hat trade, business is centred principally on the production of fine straws for the spring season's wear.

*Northampton.*—Trade has shown a slight improvement owing to the purchase of spring lines, but there is no general revival. The intense price-cutting campaign of a few firms, which is now noticeable, cannot benefit the trade in general or the firms themselves. Some tanners and leather factors report business to be a little brighter than it has been for some time.

## **Shipping**

*Hull.*—There is no improvement in freights and an extremely poor demand for tonnage. Rates are remaining at low levels.

*Liverpool.*—Rates in the River Plate section continue low, while a falling-off in the demand for outward coal tonnage has entailed some decline in rates. Eastern trades have been steady, but business from Atlantic-America and the North Pacific has been of only limited proportions.

*Newcastle-upon-Tyne.*—Freights are easier for all directions, and the rates obtainable are on the lowest possible basis.

*Cardiff.*—There is no improvement in the freight market. Demand is generally dull and rates are at their lowest for the past few months.

*Newport.*—A large cargo of sugar was received during February. The number of vessels laid up has been reduced to three. Freights have recently shown a retrograde tendency.

*East of Scotland.*—At the port of Leith there have been considerable imports of grain and maize. Coal shipments at the various Forth ports have been below normal, and in the middle of March there were only about fifteen vessels on loading turn. There is little fresh enquiry in the freight markets, and business remains dull.

*Glasgow.*—Tonnage is still in somewhat limited demand for the loading of coal at Scottish ports for shipment to foreign countries. The tone of the market is dull, and remunerative rates are practically unobtainable.

### **Foodstuffs**

*Liverpool, grain.*—Liberal offerings of Plate wheat on a slow market accounted for an all-round decline in cereal values. March "options" temporarily receded to 4s., but the price has since rallied, buyers being encouraged by the prospect of smaller Black Sea and Australian shipments, as well as by the action of the Argentine Government in raising its official selling prices. The cheapness of wheat on this market has also attracted "outside" speculative buying, confidence being stimulated by the absence of pressure by European exporters to dispose of their supplies. Trading on the spot has been very quiet. Quotations for maize have also recovered from an earlier decline, and though consumptive demand is smaller, prices are sustained by the rapid decrease in shipments of old crop Plata. Forward buying is, as yet, not greatly in evidence, although present indications point to a smaller Argentine harvest. Home-milled flour has been a steady trade at unchanged prices. In imported descriptions only a limited business has been done on the spot, and forward dealings were even more restricted in volume.

*Liverpool, provisions.*—High prices have restricted the consumption of Continental bacon, and the market has been slow at rather lower values. American hams were in only moderate supply, but prices of hams have eased in sympathy with bacon. A feature of recent trading has been the abnormally low price of lard. Supplies of butter have been abundant and there has been a well-sustained demand at the low rates now ruling. The market appears easily to absorb the increased imports of New Zealand descriptions, and stocks on hand are lower than in 1933. Cheese proved a disappointing trade throughout the month, at practically unchanged rates. The low prices of factory-made Cheshire and Scotch cheeses have tended to depress the market. In the canned goods section meats were in increased demand and prices inclined to harden. Fruits continued a very good market.

## **Fishing**

*Brixham.*—Calm weather conditions prevailing during February adversely affected sail trawling, and landings were down by 25 per cent. in consequence. Prices were steady.

*Lowestoft.*—The continued failure of the Norwegian season stimulated the British herring industry in two directions. The small fleet at work found a ready market for fresh herrings, and the cured herrings lying in East Anglia were absorbed by Continental markets at hardening prices. Thus when enquiries were made by Russian purchasing agencies after the signing of the Anglo-Soviet Agreement, it was found that the available stock had been almost entirely absorbed.

*Penzance.*—Fishing for the past month showed an improvement amongst the Cornish liners, and boats are making up to £60 weekly.

*Scotland.*—This has been the best winter for herring fishing for a number of years and, notwithstanding stormy weather, the ports at the mouth of the Forth, and notably Anstruther, have enjoyed a very successful season. Those on the west coast have also been active. Line fishing has been limited and has proved unequal to the demand. Prices have been good.

## **Other Industries**

*Paper-making and Printing.*—Edinburgh paper-makers report that trade has improved during the past month. The export side in particular shows a better tendency, and quite a number of the mills are now working full time. The printing branch is fairly well employed on commercial work, and prospects generally are better.

*Pottery.*—Longton reports that some manufacturers have received good orders from the British Industries Fair, and that trade is a little better than this time last year, particularly in the cheaper grades. Exports for February showed a small increase over the corresponding month last year.

*Timber.*—Hull reports that the general tone of the market is good and the atmosphere is one of quiet confidence. Although there has been no big rush to buy on an extensive

scale, a considerable quantity of Russian goods have now changed hands. The profits obtained in most instances have been reasonable without being extraordinary, and if wild speculation and weak selling are not indulged in, the market appears set for a good and steady trade—a position which has been aimed at for many years. Newport reports that pitwood imports in February show a considerable increase over the preceding month and over February of last year.

*Tin Mining.*—Redruth reports that the East Pool Mine property development is satisfactory, and that there is reason for optimism on the Wheal Reeth property.

## Overseas Reports

### Australia

*From the National Bank of Australasia Limited*

The general position shows little change. Butter and wheat prices remain low, but wool prices are well maintained at their level of last December. This season's wool clip is estimated, in Australian currency, at £55 millions compared with £38 millions for the preceding season. The favourable overseas trade balance, exclusive of gold exports, is £24 millions for the first seven months of the current financial year. This represents an improvement of £15.5 millions over the corresponding part of the previous year. This improvement is entirely due to the increase in the value of wool shipments. Recent weather conditions have been favourable, and the pastoral outlook for the next few months is assured. Given normal autumn conditions, the prospects for the coming season are encouraging. Internal trade shows a further improvement, notably in building, motor car sales, and woollen manufactures.

### Canada

*From the Imperial Bank of Canada*

Business reports remain favourable, with satisfactory prospects for the spring months following the re-opening of navigation. Since a year ago, bank debits have increased by more than 30 per cent., commodity prices are 10 per cent. higher, and foreign trade has expanded in value by 40 per cent. The favourable trade balance for the first ten months of the fiscal year is \$136 millions, to which must be added exports of Canadian-produced gold. This has helped materially to maintain the stability of the dollar. Car-loadings, goods traffic receipts, shipping entries and clearances, and coal and power production all indicate increased activity, and reports from the building trade and from industry generally are more encouraging. The weak spots are the heavy taxation needed to finance unemployment relief, the deficits in Government and municipal budgets, and the depression in the agricultural areas. This last remains unrelieved, with the world wheat situation as a dominating factor.

## India

*Bombay.*—The raw cotton market has been depressed by heavy liquidation and bazaar selling. Both home and overseas demand for raw cotton remains poor, and stocks are accumulating rapidly. Trade in Indian and Manchester piece-goods has been dull and disappointing, and stocks of Indian goods are still heavy. Business in Japanese goods has become more active, and prices are slightly firmer.

*Rangoon.*—The low price of rice has proved attractive to Indian buyers, and very large purchases have recently been made. So long as rice remains cheaper than other cereals, there is a prospect of a continuation of the Indian demand. So far, prices have failed to respond, and there is no business from Europe or the Far East. The timber market has been slightly more active. There was a little more business both from Europe and from the Indian railways.

## Irish Free State

February last proved the driest February experienced for many years, and while the absence of rain assisted field work, the soil had become parched as the result of the long period of dry weather, and it was then feared that the crops would be retarded by lack of moisture. Winter reserves of fodder, roots and grain were ample, but oats and potatoes have been used in large quantities for feeding. Livestock were healthy. Cattle fairs have been of moderate dimensions. There was a fair demand for young store cattle, but elsewhere sales were slow and difficult. Fat cattle, for which export licences had been granted, naturally fetched the highest prices. Lambing has been better than usual. There is a good demand for pigs, and sales for January and February last showed an increase of over 18,000 above those of a year ago.

## France

*From Lloyds & National Provincial Foreign Bank Limited*

The cost-of-living index numbers during 1933, based on the needs of a working family of four, are returned as below, 1914 being taken as the base year and equated to 100 :—

1933—1st quarter	..	..	..	523
2nd "	..	..	..	516
3rd "	..	..	..	516
4th "	..	..	..	526

According to official calculations, retail prices in Paris have been falling since the New Year. The actual index numbers are 520 for December last, 521 for January and 515 for February. Of the six leading railway companies, the Etat has shown an increase of Frs.1,207,000 in traffic receipts for the first eight weeks of 1934, compared with the same part of 1933. The remaining five companies registered declines, which amounted to a total of Frs.5,310,000. The Bourse remained steady until the middle of March, when it was shaken by the heavy fall in Citroën shares. Losses were very general, and even rentes and bank shares were affected.

*Bordeaux.*—Demand for old wines continues, and prices remain firm. The 1933 vintage is up to previous expectations. Business generally has been awaiting the issue of further licences in the United States. The March and April quotas have just been fixed, and important orders are expected. The resin market is very firm. Trade is restricted, as manufacturers are holding out for higher prices.

*Le Havre.*—Business in coffee is limited, as buyers mistrust the present level of prices. Heavy stocks were accumulated recently at the time of the cancellation of the Trade Agreement with Brazil. Now that a temporary Agreement has been arranged, there is no danger of a shortage, and merchants are having to carry their stocks as best they can. The cotton market has been active, though subject to speculation based on current reports from the United States. Business with the mills shows little improvement, but the upward trend of world consumption is expected eventually to raise prices.

*Lille.*—Flax prices are too high for spinners, and business is very quiet. Demand for linen yarn is limited to immediate needs. There is no improvement in the cotton trade and there is danger of a further restriction of production at an early date.

*Marseilles.*—Largely as a result of forestalling in anticipation of the recent protective measures, the ground-nuts market has become very dull. Crushers are now overstocked,



and prices fell heavily during February. Copra prices are also lower. The olive oil market was very quiet. Stocks are low and prices are unchanged.

*Roubaix.*—Wool prices remain below the world level and combers are working only about four days a week. The output of hosiery yarns has also fallen, but there has been a slight improvement during the past few days. There is a fairly good demand for the cheaper qualities of cloth, but the better classes are neglected. Unemployment generally is increasing, and export trade continues to decline. The situation is worse than it was a year ago.

## **Belgium**

### *From Lloyds & National Provincial Foreign Bank Limited*

*Brussels.*—Business in iron and steel is perhaps a little quieter, as buyers are needing time to reconcile themselves to the recent price increases. Competition from the Far East remains keen. February steel production averaged 8,900 tons a day, against 8,500 tons a day in January. The market for semi-finished iron is very active. Large orders have been booked for England, and producers cannot meet demands. In the coal trade the improvement in the heavy industries has increased the demand for industrial coal, but house coal sales are declining with the approach of spring. Owners and workers are pressing the Government to modify the German-Belgian Commercial Treaty.

*Antwerp.*—Business has been very dull. Shipping is inactive, and the diamond trade shows no sign of improvement. The Bourse has been quiet and prices have had a downward trend.

## **Germany**

Largely under the influence of public works' programmes, trade and employment continue to improve. February witnessed a reduction from 3,774,000 to 3,374,000 in the number of unemployed, while during the last fortnight of the month car-loadings rose from 104,800 to 111,900 per day. The financial situation is not so certain. The increase in home

activity has entailed heavier imports of raw materials, and as export trade has continued to weaken, Germany no longer has an export surplus, but instead had an import surplus of Rm.57.7 millions for the first two months of this year. Largely owing to this change in her external position, the Reichsbank has been losing gold during the current year, with the result that the gold cover to the note circulation has fallen from 11.5 per cent. at the New Year to 8.0 per cent. for March 23rd. It is also difficult to see how the public works' programme can be financed indefinitely without undermining the stability of the currency, and this adds to the uncertainty of the financial outlook.

### Holland

The Government are making progress with their task of co-ordinating recent financial and economic emergency basis. All debts of Holland and the Dutch East Indies are being gradually converted to a 4 per cent. basis, and already Dutch East Indies 5½ and 6 per cent. dollar loans of \$122 millions have been replaced by a 4 per cent. guilder loan. At home, agricultural subsidies, unemployment relief, and expenditure on education are all being revised with a view to economies, and plans of public works, amounting to Fl.60 millions, are in contemplation for the relief of unemployment. Trade generally is not too bad, and there has been some improvement in the rayon and woollen industries. Greater interest is being taken in the forthcoming Annual Fair than was the case a year ago, and Stock Exchange prices are also firmer. At the same time unemployment still stands at 375,000, so that business cannot be called wholly satisfactory.

### Norway

The trade returns for February are summarised below, all figures being in millions of kroner :—

			February, 1933	January, 1934	February, 1934
Imports	...	...	50.0	60.4	51.6
Exports	...	...	51.0	47.5	47.2
Trade Balance	...	...	<u>+1.0</u>	<u>-12.9</u>	<u>-4.4</u>

The official returns showing the direction of Norway's foreign trade during 1933 have been issued, and are reproduced below, all figures being again in millions of kroner :—

	1932		1933	
	Imports	Exports	Imports	Exports
United Kingdom ...	148·6	142·9	151·4	113·3
Germany ...	147·3	67·1	138·5	68·7
United States ...	58·2	50·2	45·8	59·0
Sweden ...	58·3	30·3	56·2	36·8
Other Countries ...	278·0	270·4	271·4	272·0
Total ...	690·4	560·9	663·3	549·8

It is pointed out that while imports from Great Britain have increased, exports have not so far been stimulated by the recent trade agreement. Trade with the United States has, in fact, developed more favourably. Business conditions generally show but little change. There was a seasonal increase in unemployment during February, but the latest figure of 43,559 is not much bigger than the corresponding figure of 42,460 recorded a year ago. The outlook for shipping is not encouraging. There was a slight rise in wholesale prices during February. New regulations have been issued governing the importation of rubber footwear and earthenware, and prohibiting the importation of butter.

### Sweden

Timber sales have lately been less active, as importers had already filled their immediate requirements. Still, 500,000 standards had been sold up to the middle of March, or double the sales to the same date a year ago. Prices are firm, and some forward buying is noticeable. The chemical pulp market has registered a further improvement, and deals have already taken place for delivery next year. Prices are now definitely higher. The mechanical pulp market is firm, but no substantial sales have recently been made. There is a general improvement in the iron and steel and engineering trades. Both production and exports are expanding.

### Denmark

The labour outlook has become more hopeful. During the last few weeks unemployment has been reduced from a peak

figure of 140,112 on January 5th to 120,545 in early March. A lock-out, due to begin on February 27th, has also been postponed to give the State arbitrator an opportunity for mediation, and it is believed that his proposals will be accepted and a stoppage averted. Markets for agricultural produce are less satisfactory. Butter prices have reacted after a temporary recovery, and it is pointed out that large stocks are held in England and that European production is increasing. The egg trade is demoralised, as a result of new import restrictions in Spain, and the possibility of similar restrictions in England. Bacon prices are also weaker, but there has been a reduction during the past two months from 3,474,000 to 3,184,000 in the number of swine. A new trade agreement has been concluded with Germany. Danish exports of agricultural produce will be mostly maintained at last year's level, but exports of live cattle are to be raised from 18,000 to 50,000 head. Even this last figure is small in comparison with normal exports of 250,000 head. The National Bank incurred further exchange losses of Kr.12 millions in February, which raised its debit position to Kr.60.8 millions. Once confidence in the kroner can be restored, forward coverings should cease and much hidden foreign exchange should emerge, and this should improve the Bank's position. Meanwhile the Bank has had to assist the Government in connection with recent conversion operations, but it is noticeable that the budget deficit, originally estimated at Kr.46.7 millions, has now been reduced to about Kr.20 millions.

## **Switzerland**

*From Lloyds & National Provincial Foreign Bank Limited*

General trade conditions have remained very quiet, the most encouraging sign being an increase of Frs.8.5 millions in exports. Notwithstanding Switzerland's recent gold losses, banking opinion is insistent that Switzerland must remain on the gold standard. At the same time, confidence appears to be slightly lacking, for the recent 4 per cent. Federal Railway Loan of Frs.100 millions was only subscribed up to 75 per cent., while the Zurich 4 per cent. loan of Frs.50 millions, issued at 96, was only subscribed up to 58 per cent.

## Spain

The 1934 budget authorises expenditure of 4,663 million pesetas, against estimated revenue of 4,153 million pesetas. This initial deficit, as in the previous year, will be covered by an issue of 500 million pesetas 5% Treasury bills, repayable in two years. A commercial agreement with Yugoslavia has ended the Exchange difficulties between the two countries and frozen credits have been released on both sides. The exchange of 20,000 tons of Spanish rice for an equivalent value of maize from Yugoslavia is reported to be under consideration. A commercial treaty with France in substitution of that of 1932 is to be submitted shortly to the Cortes. While slight concessions are made on either side, the principal aim of the treaty would appear to be the maintenance of the present volume of trade. Political instability continues to handicap business.

## Morocco

### *From the Bank of British West Africa Limited*

Trade has been seasonably quiet, but good rains have favoured the harvest outlook. Grain prices are firm, and stocks of cotton goods and tea are large. Japanese manufactured goods dominate the local markets. A petroleum well has been located near Petitjean, where borings have been in progress for years, but the new jet of petroleum has been on fire since discovery, and attempts to extinguish the fire have so far been unsuccessful. Recent military operations in the Southern Atlas are reported to have been successfully concluded, and practically the whole area under French influence is now said to be pacified.

## The United States

Recent developments include the February gold imports, which helped to bring about a fall in New York money rates; the signs that the Administration was anxious to develop foreign trade; and the threat of labour troubles. These last are believed to have been partly responsible for the recent increase in industrial activity, for merchants and retailers may have been stocking up in anticipation of a possible interruption of production. Security prices weakened during February, owing to

the uncertainty caused by the Bill for the control of the Stock Exchanges. Sugar prices have fallen, as the discussions regarding the quotas for Cuban and domestic production have unsettled the market. Demand for rubber has improved, and prices are at their highest point for nearly four years. Home consumption of copper is increasing, while makers of tin-plates have received good orders, and are now working up to 80 per cent. of capacity. The daily production of pig-iron increased from 39,201 tons in January to 45,131 tons in February, while steel production has improved from 33½ per cent. of capacity in December to 42½ per cent. in February and to about 50 per cent. for early March. Apart from the danger of a strike, the outlook for the automobile industry is good, as it is calculated that owing to the deferment of replacements there are now 13,000,000 vehicles in the United States more than four years old. Business in raw cotton fell away during February and prices also reacted, the reason being the proposed amendments to the Bankhead restriction bill, which were to raise the maximum limit for ginnings from 9,000,000 to 10,000,000 bales for the year and to reduce the penalty tax on excess ginnings. Still, weather conditions in the South are now thought likely to delay the crop, and it is stated that well over 15,000,000 acres are pledged to be withdrawn from cultivation. Visible supplies in early March were only 7,675,000 bales, against 9,160,000 bales in March last year.

### Japan

The foreign trade returns for February were as follows, all figures being given in millions of yen :—

				February, 1933	February, 1934
Imports	...	...	...	181·0	176·0
Exports	...	...	...	118·0	158·0
Import Surplus	...	...	...	63·0	18·0

Compared with a year ago, exports of cotton, silk and rayon goods and also miscellaneous articles increased, while there was a considerable expansion in imports of wool, iron and steel. Imports of raw cotton showed a decline. Money rates are a little harder. The Bank of Japan has been selling securities in order to regulate the currency position, while money has also been absorbed by the issue of Rice Bonds under the Rice Control

Law. Stock Exchange prices, however, are mostly harder. Commodity prices have also improved, with the exception of raw silk, which remains dull, the main influence being the favourable export trade. In the spinning industry, the present rate of 27·6 per cent. restriction is to be maintained up to the end of June, but for the following quarter an increase of 5 per cent. will be made on this rate. The foreign exchange market has become quieter in sympathy with the greater stability of the London-New York rate. The exchange Banks have discontinued their former practice of quoting separate short and long-term rates, as greater confidence is now felt in the exchange outlook.



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## Banking

### 1. BANK OF ENGLAND

Date.	Issue Department.		Banking Department.				
	Gold.	Notes in circulation.	Reserve and Proportion.		Bankers' Deposits.	Govt. Securities.	Discounts & Advances.
	£ mn.	£ mn.	£ mn.	Per cent.	£ mn.	£ mn.	£ mn.
1933. March 22 ...	169·6	364·3	81·0	54·6	84·9	55·7	11·8
1934. February 28 ...	191·0	367·4	84·6	52·8	90·3	75·6	5·8
March 7 ...	191·0	370·2	81·8	51·7	99·7	76·7	5·8
March 14 ...	191·0	369·6	82·4	51·4	111·7	78·6	5·6
March 21 ...	191·1	369·5	82·7	53·0	107·5	72·9	5·6

### 2. TEN CLEARING BANKS

Date.	De- posits.	Accept- ances.	Cash.*	Call Money.	Bills.	Invest- ments.	Ad- vances.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
1933. February ...	1,956·7	96·0	250·2	111·8	385·6	497·6	765·6
September ...	1,957·9	105·9	253·7	90·6	355·0	563·2	749·7
October ...	1,950·8	105·5	265·1	89·2	342·9	559·4	747·5
November ...	1,928·0	114·0	259·9	98·6	317·1	569·0	737·3
December ...	1,941·3	116·3	263·6	119·5	311·3	564·6	735·6
1934. January ...	1,920·5	116·8	268·6	129·7	284·3	557·6	734·6
February ...	1,867·3	118·0	252·3	117·5	249·8	560·1	741·9

\* Includes balances with other banks and cheques in course of collection.

### 3. LLOYDS BANK, RATIO OF CURRENT ACCOUNT CREDIT BALANCES TO TOTAL DEPOSITS

Year.	Ratio.	Month.	Ratio.				
			1930.	1931.	1932.	1933.	1934.
			%	%	%	%	%
1914	49·9	January ...	45·1	45·9	46·5	46·3	48·3
1919	60·7	February ...	44·2	45·1	44·7	45·8	47·5
1920	56·7	March ...	44·5	45·3	44·7	45·8	
1921	50·7	April ...	45·1	45·0	45·2	46·0	
1926	48·6	May ...	44·0	44·8	45·3	46·4	
1927	47·4	June ...	44·4	45·4	45·4	47·1	
1928	46·4	July ...	44·7	45·7	46·0	47·4	
1929	45·2	August ...	44·4	45·7	45·7	47·9	
1930	44·7	September ...	44·7	45·0	45·2	47·8	
1931	45·4	October ...	44·8	45·3	45·2	47·9	
1932	45·4	November...	44·8	45·3	45·2	47·2	
1933	47·0	December ...	46·0	46·7	46·2	48·3	

# Money, Exchanges and Public Finance

## 1. LONDON AND NEW YORK MONEY RATES

Date.	LONDON.			New York.		
	Bank Rate.	3 Months' discount Rate.	Day-to-day Loans.	Re-discount Rate.	90 Days' eligible Bank acceptances.	Call Money.
1933.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
March 22 ...	2	$\frac{1}{2}$	$\frac{1}{2}$ —1	$3\frac{1}{2}$	$2\frac{1}{2}$	3
1934.						
February 28 ...	2	$\frac{1}{2}$ — $\frac{1}{2}$	$\frac{1}{2}$ —1	$1\frac{1}{2}$	$\frac{1}{2}$	1
March 7 ...	2	$\frac{1}{2}$ — $\frac{1}{2}$	$\frac{1}{2}$ —1	$1\frac{1}{2}$	$\frac{1}{2}$	1
March 14 ...	2	$\frac{1}{2}$	$\frac{1}{2}$ —1	$1\frac{1}{2}$	$\frac{1}{2}$	1
March 21 ...	2	$\frac{1}{2}$	$\frac{1}{2}$ —1	$1\frac{1}{2}$	$\frac{1}{2}$	1

## 2. FOREIGN EXCHANGES

London on	Par.	1933.	1934.			
		Mar. 22.	Feb. 28.	Mar. 7.	Mar. 14.	Mar. 21.
New York ...	\$4-866	3-42 $\frac{1}{2}$	5-06 $\frac{1}{2}$	5-08	5-10	5-11 $\frac{1}{2}$
Montreal ...	\$4-866	4-12	5-09 $\frac{1}{2}$	5-09 $\frac{1}{2}$	5-10	5-11 $\frac{1}{2}$
Paris ...	Fr. 124-21	87 $\frac{1}{2}$	77 $\frac{1}{2}$	77 $\frac{1}{2}$	77 $\frac{1}{2}$	77 $\frac{1}{2}$
Berlin ...	Mk. 20-43	14-37 $\frac{1}{2}$	12-78 $\frac{1}{2}$	12-81	12-84	12-89
Amsterdam ...	Fl. 12-11	8-50	7-53 $\frac{1}{2}$	7-55	7-57 $\frac{1}{2}$	7-58 $\frac{1}{2}$
Brussels ...	Bel. 35	24-59 $\frac{1}{2}$	21-73 $\frac{1}{2}$	21-81 $\frac{1}{2}$	21-87 $\frac{1}{2}$	21-91
Milan ...	Li. 92-46	66 $\frac{1}{2}$	58 $\frac{1}{2}$	59 $\frac{1}{2}$	59 $\frac{1}{2}$	59 $\frac{1}{2}$
Berne ...	Fr. 25-22 $\frac{1}{2}$	17-75 $\frac{1}{2}$	15-69 $\frac{1}{2}$	15-72 $\frac{1}{2}$	15-80	15-80
Stockholm ...	Kr. 18-16	18-87 $\frac{1}{2}$	19-39	19-39	19-39	19-39
Madrid ...	Ptas. 25-22 $\frac{1}{2}$	40 $\frac{1}{2}$	37 $\frac{1}{2}$	37 $\frac{1}{2}$	37 $\frac{1}{2}$	37 $\frac{1}{2}$
Vienna ...	Sch. 34-58 $\frac{1}{2}$	31*	28 $\frac{1}{2}$ *	28 $\frac{1}{2}$ *	28*	28*
Prague ...	Kr. 164-25	115 $\frac{1}{2}$	122 $\frac{1}{2}$	122 $\frac{1}{2}$	122 $\frac{1}{2}$	122 $\frac{1}{2}$
Buenos Aires ...	47-62d.	40 $\frac{1}{2}$ †	36 $\frac{1}{2}$ †	36 $\frac{1}{2}$ †	36 $\frac{1}{2}$ †	36 $\frac{1}{2}$ †
Rio de Janeiro ...	5-89d.	5 $\frac{1}{2}$ †	4 $\frac{1}{2}$ †	4 $\frac{1}{2}$ †	4 $\frac{1}{2}$ †	4 $\frac{1}{2}$ †
Valparaiso ...	Pes. 40	56-70†	49-65†	49-75†	49-90†	50-00†
Bombay ...	18d.	18 $\frac{1}{2}$	18 $\frac{1}{2}$	18 $\frac{1}{2}$	18 $\frac{1}{2}$	18 $\frac{1}{2}$
Hong Kong ...	—d.	15 $\frac{1}{2}$	18 $\frac{1}{2}$	18 $\frac{1}{2}$	18 $\frac{1}{2}$	18 $\frac{1}{2}$
Shanghai ...	—d.	20 $\frac{1}{2}$	16 $\frac{1}{2}$	16 $\frac{1}{2}$	16 $\frac{1}{2}$	16 $\frac{1}{2}$

\* Nominal.

† Official rate.

## 3. PUBLIC REVENUE AND EXPENDITURE

Revenue.	To Mar. 17, 1934.	To Mar. 18, 1933.	Expenditure.	To Mar. 17, 1934.	To Mar. 18, 1933.
	£ mn.	£ mn.		£ mn.	£ mn.
Income Tax ...	217-9	236-8	Nat. Debt Service ...	211-1	262-3
Surtax ...	47-6	54-4	Northern Ireland Payments...	5-8	6-2
Estate Duties ...	83-0	72-7	Other Cons. Fund Services ...	3-2	2-7
Stamps ...	19-3	16-0	Supply Services ...	443-3	432-0
Customs ...	172-3	161-1	Ordinary Expenditure ...	663-5	703-2
Excise ...	104-9	119-4	Sinking Fund... ..	7-2	16-8
Tax Revenue ...	651-7	666-8	Self-Balancing Expenditure ...	79-1	77-5
Non-Tax Revenue ...	44-3	42-2	Payments to U.S. Government	3-3	29-0
Ordinary Revenue	696-0	709-0			
Self-Balancing Revenue	79-1	77-5			

## 1. PRODUCTION

Date.	Coal.*	Pig-Iron.	Steel.
	Tons mn.	Tons thou.	Tons thou.
February ... 1933. ...	4.6	271	483
September ...	3.9	360	669
October ...	4.2	373	668
November ...	4.4	375	695
December... 1934. ...	4.5	409	669
January ...	4.7	441	711
February ...	4.8	414	707

\* Average weekly figures for month.

## 2. IMPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
	£ mn.	£ mn.	£ mn.	£ mn.
February ... 1933. ...	25.2	13.2	10.5	49.1
September ...	29.8	14.5	13.1	57.8
October ...	32.3	15.0	14.2	61.8
November ...	32.0	17.0	14.5	63.7
December ...	30.3	18.9	13.6	63.2
January ... 1934. ...	29.1	21.3	13.9	64.7
February ...	25.6	18.2	13.2	57.4

## 3. EXPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
	£ mn.	£ mn.	£ mn.	£ mn.
February ... 1933. ...	2.2	3.4	21.5	27.9
September ...	2.6	4.1	24.6	32.2
October ...	2.8	4.3	26.1	34.1
November ...	2.9	4.3	25.7	34.4
December ...	2.4	3.6	22.6	30.4
January ... 1934. ...	2.6	3.9	24.2	31.6
February ...	2.6	4.0	22.7	30.1

## 4. UNEMPLOYMENT

Date.	1928.	1929.	1930.	1931.	1932.	1933.	1934.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
End of—							
January ...	10.7	12.2	12.6	21.5	22.4	23.1	18.7
February ...	10.4	12.2	13.1	21.7	22.0	22.8	18.2
March ...	9.5	10.1	14.0	21.5	20.8	22.0	
April ...	9.5	9.9	14.6	20.9	21.4	21.4	
May ...	9.8	9.9	15.3	20.8	22.1	20.5	
June ...	10.7	9.8	15.4	21.8	22.3	19.5	
July ...	11.6	9.9	16.7	22.6	22.9	19.6	
August ...	11.6	10.1	17.1	22.7	23.1	19.2	
September ...	11.4	10.0	17.6	23.2	22.9	18.4	
October ...	11.8	10.4	18.7	21.9	21.9	18.1	
November ...	12.1	11.0	19.1	21.4	22.2	17.9	
December ...	11.2	11.1	20.2	20.9	21.7	17.6	

Percentage of Insured Workers.

## Prices

## 1. WHOLESALE PRICES (average for month)

Date.	Index Number (Sept. 16th, 1931 = 100).				
	U.K.	U.S.A.	France.	Italy.	Germany.
1933.					
February ... ..	100.3	79.9	88.0	89.4	83.7
September ... ..	106.5	103.2	87.9	85.9	87.2
October ... ..	105.5	103.8	87.2	84.6	87.9
November ... ..	105.2	104.0	86.5	84.1	88.2
December ... ..	105.4	104.0	87.4	84.5	88.4
1934.					
January ... ..	107.7	104.8	87.6	84.7	88.5
February ... ..	109.5	106.9	86.8	84.3	88.4
February 4th week ... ..	108.9	107.9	86.1	84.1	88.0
March 1st week ... ..	103.0	108.0	85.9	83.9	88.1
March 2nd week ... ..	107.8	103.2	85.6	84.0	88.1
March 3rd week ... ..	107.5	107.4		84.3	88.0

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Generale; Italy, Italian Chamber of Commerce; Germany, Statistische Reichsamt.

## 2. RETAIL PRICES (end of month)

Date.	Food.	Rent (including rates).	Clothing.	Fuel and Light.	Other items included.	All items included.
1928.—February...	55	51	115-120	70	80	64
1930.—February...	50	52	115	75	80	61
1932.—February...	29	54	90	75	75	46
1933.						
February ... ..	19	55	85	70-75	70-75	39
September ... ..	23	56	85	70	70-75	41
October ... ..	26	56	85	70	70-75	43
November ... ..	26	56	85	70	70-75	43
December ... ..	24	56	85	70-75	70-75	42
1934.						
January ... ..	22	56	85	70-75	70-75	41
February... ..	20	56	85	70-75	70-75	40

The figures represent the percentage increase above July, 1914, which is equal to 100.

## 3. COMMODITY PRICES (average for month)

Date.	Wheat, No. 1 N. Manitoba.	Cotton, American Middling.	Wool, 64's tops avge.	Pig-Iron, Cleveland No. 3.	Tin, Standard Cash.	Rubber, Plantation Sheet.
1933.	per qr. s. d.	per lb. d.	per lb. d.	per ton. s. d.	per ton. £.	per lb. d.
February ... ..	25 9	4.97	22	62 6	148½	2½
September ... ..	29 9	5.49	33½	62 6	216½	3½
October ... ..	26 9	5.42	32½	62 6	223½	3½
November ... ..	26 8	5.25	35½	62 6	226½	4½
December ... ..	26 7½	5.26	37	62 6	227½	4½
1934.						
January ... ..	28 1	5.87	40½	62 6	226½	4½
February... ..	28 6	6.58	38	65 0	226½	4½

# **LLOYDS BANK**

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